

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-81-S - ORDER NO. 2014-753
SEPTEMBER 11, 2014

| | | |
|-----------------------------------------------------|---|-------------------|
| IN RE: Application of Threatt Enterprises, Inc. for |) | ORDER APPROVING |
| the Establishment of Rates and Charges for |) | RATES AND CHARGES |
| the Provision of Sewer Services (Quail |) | AND APPROVING |
| Haven Subdivision) |) | SETTLEMENT |
| |) | AGREEMENT |

I. INTRODUCTION AND PROCEDURE

This matter is before the Public Service Commission of South Carolina (the “Commission”) on the Application of Threatt Enterprises, Inc. (“Threatt” or “the Company”) filed on March 31, 2014, seeking approval for the Establishment of Rates and Charges for the Provision of Sewer Services (Quail Haven Subdivision). The Application was filed pursuant to S.C. Code Ann. Section 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-512.4.B (Supp. 2013).

By letter dated April 9, 2014, the Commission’s Clerk’s Office instructed Threatt to prepare and publish a Notice of Filing in newspapers of general circulation in the area affected by Threatt’s Application. The Notice of Filing described the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. In a letter dated April 9, 2014, the Commission also instructed Threatt to notify directly, by U.S. Mail, each customer affected by the

Application by mailing each customer a copy of the Notice of Filing. Threatt filed an Affidavit of Publication demonstrating that the Notice of Filing had been duly published and provided a letter certifying that it had complied with the instructions of the Commission's Clerk's Office and mailed a copy of the Notice of Filing to all customers.

On July 24, 2014, Threatt and ORS (the "Settling Parties") filed a Settlement Agreement (the "Settlement Agreement") with the Commission. The Settling Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case and determined that their interests would best be served by settling under the terms and conditions set forth in the Settlement Agreement which is attached hereto as Order Exhibit No. 1. The Settling Parties agreed in the Settlement Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina.

The Settlement Agreement provides that: (1) the Parties stipulate and agree that a flat rate of \$35.00 per month for residential sewer service is a just and reasonable rate, as is a \$25.00 one-time fee to be collected to establish any new customer service accounts on the system; (2) the Parties stipulate and agree that the rates contained in the Schedule of Rates and Charges attached as Exhibit A to the Settlement Agreement are reasonably designed to allow the Company to provide service to its customers at rates and under terms and conditions of service that are fair, just and reasonable and provides the opportunity for the Company to recover the revenue required to earn a fair operating margin; (3) the Parties acknowledge that Threatt entered into a Consent Order with the South Carolina Department of Health and Environmental Control ("DHEC") on

November 12, 2013, addressing Threatt's proper operation and maintenance of its system and facilities to prevent sanitary system overflows. The Parties also acknowledge that the Application in this matter was filed in compliance with that DHEC Consent Order to enable Threatt to collect sufficient revenues to ensure the proper operation and maintenance of Threatt's Wastewater Treatment Facility and Collection System; and (4) Threatt agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2013) and that the Company is therefore required to meet the bond requirements for the operation of the system as set forth in S.C. Code Ann. § 58-5-720 (Supp. 2013).

Threatt agrees to obtain a performance bond for wastewater operations in the amount of \$100,000 to satisfy the criteria set forth in S.C. Code Ann. § 58-5-720. As stated in the Settlement Agreement, the Parties agree that these rates and charges are just and reasonable and allow the Company to obtain an operating margin of 5.13%.

II. TESTIMONY AND EVIDENCE

A public night hearing was held on July 24, 2014, beginning at 6:00 p.m., before the Commission at Rock Springs Baptist Church in Easley, SC to receive testimony from public witnesses. The Honorable Nikiya M. 'Nikki' Hall, Chairman of the Commission, presided. Threatt was represented by Daniel Trammel, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire. At the public hearing, testimony was received by public witnesses concerning the proposed rates and issues pertaining to the prior operation of the system and service by Threatt. Witnesses who testified at the public hearing were James

Simmons, Heather Bradford, Dennis Reinert, Chad Shook, Dennis Burdette, Bishop A.L. Burdine and Sarah Abee.

The merits hearing in this matter was held in the offices of the Commission on July 31, 2014, beginning at 10:00 a.m. The Honorable Nikiya M. ‘Nikki’ Hall, Chairman of the Commission, presided. Threatt was represented by Daniel Trammel, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire. At the beginning of the hearing, the Commission received and accepted into the record the Settlement Agreement as Hearing Exhibit No. 1 without objection. By agreement of the Settling Parties, the pre-filed direct testimonies (and, where applicable, exhibits) of Threatt witness Pamela Threatt and ORS witness Hannah K. Majewski were stipulated into the record.

Ms. Threatt’s direct testimony described the basis for the establishment of rates and charges and the Company’s support of the Settlement Agreement. The system was constructed by the neighborhood’s developer in 1972. The system’s lagoons were intended to operate on a temporary basis until they could be eliminated through an interconnection of the system to the nearby regional sewer system. To date, however, the system has not been connected to the regional sewer system and Threatt has borne all of the costs and expenses related to the operation and maintenance of the system. Threatt has not billed or collected any charges or fees from the residents of the Quail Haven Subdivision. In order for Threatt to continue to operate and maintain the sewer system, Threatt is requesting to collect the sewer fees applied for in its Application in this case. Ms. Majewski’s direct testimony described ORS’s examination of the Application and Threatt’s books and records and is in support of the Settlement Agreement.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the Application, the Settlement Agreement, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission makes the following findings of fact:

1. The Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976). The Company has applied to be engaged in the business of providing wastewater services to the public for compensation in portions of Pickens County, specifically the Quail Haven Subdivision, and is therefore a public utility subject to the Commission's jurisdiction.

2. The Company is lawfully before the Commission on an Application for establishment of rates and charges pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-512.4.B (Supp. 2013).

3. The Company has sought the establishment of rates and charges through its submission of a proposed Schedule of Rates and Charges designed to allow the Company to provide service to its customers at rates and under terms and conditions of service that are fair, just, and reasonable and provide an opportunity for the Company to recover revenue required to earn a fair operating margin.

4. The Settlement Agreement resolving the issues in this proceeding between the Settling Parties was filed by ORS on July 24, 2014. The Settlement Agreement provides

for establishment of a flat rate of \$35.00 per month for residential sewer service and a \$25.00 one-time fee to be collected to establish new customer service accounts on the system. A performance bond will be obtained by Threatt for wastewater operations in the amount of \$100,000 to satisfy the criteria set forth in S.C. Code Ann. § 58-5-720.

5. After careful review and consideration by this Commission of the Settlement Agreement and the evidence contained in the record of this case, including the testimony of the witnesses and the hearing exhibits, the Commission finds and concludes that the Settlement Agreement results in just and reasonable rates and charges for the provision of sewer services.

6. Based on the operating revenues, income, and expenses agreed upon by the Settling Parties, the resulting allowable operating margin for the Company is 5.13%, which we find to be just and reasonable. See S.C. Code Ann. § 58-5-240(H) (Supp. 2013).

7. Under the terms of the Settlement Agreement, Threatt has agreed to obtain a performance bond for wastewater operations in the amount of \$100,000. The bond amount was calculated using the utility's as adjusted expenses of \$49,759 (total expenses of \$56,722 less depreciation expense of \$6,963). It is in the public interest for Threatt to maintain a bond that satisfies the criteria set forth in S.C. Code Ann. § 58-5-720 (Supp. 2013).

8. According to Ms. Threatt's pre-filed direct testimony, the Threatt system was constructed in 1972 with the intent to connect the collection system to the regional sewer system and eliminate the lagoons in which the system's sewage is currently collected.

That interconnection has never occurred and Threatt has provided the cost for the operation and maintenance of the system for the past forty-two years without ever having charged the residents of the Quail Haven Subdivision sewer fees. DHEC inspections, in response to complaints of overflows in the collection system, have revealed blockages in the collection system. Based upon its findings, DHEC issued a Consent Order, finding Threatt in violation of the Pollution Control Act, S.C. Code Ann. § 48-1-110(d) (2008 and Supp. 2012) and Water Pollution Control Permits, 3 S.C. Code Ann. Regs. 61.9.122.41(e) (2011). We find that, in order for Threatt to continue to operate and maintain its sewer system in compliance with DHEC standards and regulations, it is necessary that it be permitted to establish and collect rates and charges for the provision of sewer service to customers of its system.

9. The Commission finds the rates and charges agreed to by the Parties, hereby adopted and attached to this Order as Exhibit A to the Settlement Agreement, attached hereto as part of Order Exhibit No. 1, are just and reasonable, fairly distribute the costs of providing service as reflected in the Company's revenue requirement and allow Threatt to continue to provide its customers with adequate sewer service. Further, the agreed upon rates allow the Company an opportunity to earn a reasonable operating margin. We therefore find that the proposed rates, charges, and terms and conditions of service agreed to by the Parties in the Settlement Agreement are just and reasonable and are hereby approved in their entirety.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Settlement Agreement, along with its Settlement Agreement Exhibit A, is attached hereto and incorporated into and made a part of this Order by reference as Order Exhibit No. 1.

2. The Settlement Agreement between the Parties is adopted by this Commission and is approved as it produces rates that are just and reasonable and in the public interest as well as authorizing a reasonable operating margin for the Company.

3. We find that the Schedule of Rates and Charges, attached hereto as Exhibit A to the Settlement Agreement, are both just and reasonable and will allow the Company to provide its customers with adequate sewer services. The approved rates and charges shall be effective for service rendered by the Company thirty days after the issuance of this Order.

4. An operating margin of 5.13% is approved for Threatt.

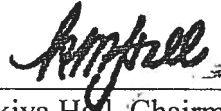
5. Threatt shall obtain and maintain a performance bond with the Commission, and provide a copy to ORS, for wastewater operations in the amount of \$100,000 to satisfy the criteria as set forth in S.C. Code Ann. § 58-5-720 (Supp. 2013).

6. The Company's books and records shall be maintained according to the NARUC Uniform System of Accounts.

7. Threatt shall file all necessary documents, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of the Threatt sewer system servicing the Quail Haven Subdivision.

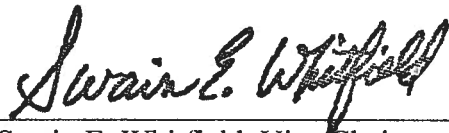
8. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Nikiya Hall, Chairman

ATTEST:



Swain E. Whitfield, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2014-81-S

July 24, 2014

IN RE: Application of Threatt Enterprises, Incorporated) **SETTLEMENT**
for the Establishment of Rates and Charges for the) **AGREEMENT**
Provision of Sewer Services (Quail Haven Subdivision))

This Settlement Agreement is made by and between Threatt Enterprises, Incorporated ("Threatt" or "the Company") and the South Carolina Office of Regulatory Staff ("ORS"), (collectively referred to as the "Parties" or sometimes individually as a "Party").

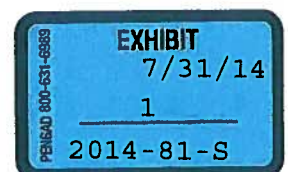
WHEREAS, on March 27, 2014, Threatt filed an Application for the Establishment of Rates and Charges for the Provision of Sewer Services in the Quail Haven Subdivision in Pickens County with the Public Service Commission of South Carolina ("Commission");

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-512.4.B (Supp. 2013);

WHEREAS, Pam Threatt, Eloise Duffy, and Kay Caton are the owners and operators of Threatt;

WHEREAS, currently Threatt provides sewer service to approximately 142 customers in the Quail Haven Subdivision in Pickens County South Carolina;

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Application and has conducted a site visit;



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7/31/14

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket and there are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, to determine whether a settlement of this proceeding would be in their best interests and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to obtain a reasonable operating margin.

1. The Parties stipulate and agree that a flat rate of \$35.00 per month for residential sewer service is a just and reasonable rate. A \$25.00 one-time fee will be collected to establish new customer service accounts on the system.

2. The Parties stipulate and agree that the rates contained in the Schedule of Rates and Charges attached hereto as Exhibit A are reasonably designed to allow the Company to provide service to its customers at rates and under terms and conditions of service that are fair, just and reasonable and provides the opportunity for the Company to recover the revenue required to earn a fair operating margin.

3. The Parties agree that the ORS shall be permitted access to all of the books and records of Threatt to perform examinations of these books as necessary.

4. Threatt agrees to keep its books and records according to the NARUC Uniform System of Accounts as required by the Commission's rules and regulations.

5. Threatt agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a sewer system.

6. The Parties acknowledge that Threatt entered into a Consent Order with the South Carolina Department of Health and Environmental Control ("DHEC") on November 12, 2013 addressing Threatt's proper operation and maintenance of its system and facilities to prevent sanitary system overflows. The Parties also acknowledge that the Application in this matter was filed in compliance with that DHEC Consent Order to enable Threatt to collect sufficient revenues to ensure the proper operation and maintenance of Threatt's Wastewater Treatment Facility and Collection System.

7. Threatt agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. §58-5-10(4) (Supp. 2013) and that the Company is therefore required to meet the bond requirements for the operation of the system as set forth in S.C. Code Ann. §58-5-720 (Supp. 2013). Threatt agrees to obtain a performance bond for wastewater operations in the amount of \$100,000 to satisfy the criteria set forth in S.C. Code Ann. §58-5-720.

8. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

9. The Parties agree to stipulate into the record the pre-filed direct testimonies of Pamela Threatt on behalf of Threatt and Hannah Majewski on behalf of ORS in support of this Settlement Agreement.

10. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2013). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

11. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

12. This Settlement Agreement shall be interpreted according to South Carolina law.

13. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. In the event any party to this Agreement is not represented by counsel, party hereby acknowledges the opportunity to retain and consult party's own counsel and acknowledges party's intent to execute and fully comply with the terms of this Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

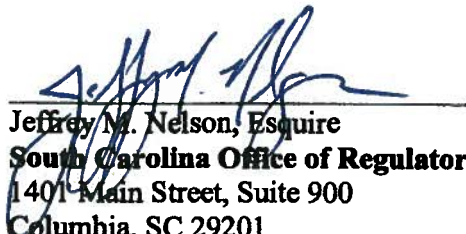
14. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[SIGNATURE PAGES TO FOLLOW]

Order Exhibit No. 1
Docket No. 2014-81-S
Order No. 2014-753
September 11, 2014
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WE AGREE:

Representing and binding the Office of Regulatory Staff



Jeffrey M. Nelson, Esquire
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
Phone: (803) 737-0823
Fax: (803) 737-0895
E-mail: jnelson@regstaff.sc.gov

Order Exhibit No. 1
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WE AGREE:

Representing and binding Threatt Enterprises, Incorporated

A handwritten signature in blue ink, appearing to read "D. Trammel", is written over a horizontal line.

Daniel Trammel, Esq.
Attorney for Threatt Enterprises, Inc.
P.O. Box 462
Greer, SC 29652
Phone: (864) 469-9715
Email: danieltrammel@yahoo.com

Threatt Enterprises, Inc.
Docket No. 2014-81-S
Rates Overview

SCHEDULE OF PROPOSED RATES AND CHARGES

1. **Monthly Charges**

Monthly charge per single-family house, condominium
mobile home, or apartment unit: **\$35.00 per unit**

Where the Utility is required to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

2. **Non-Recurring Charges**

A. Sewer service connection charge for new units **\$300.00**

B. Customer Account Charge – for new customers only **\$ 25.00**
A one-time fee to defray the cost of initiating service

C. **Solids Interceptor Tanks**

For all customers receiving sewage collection service through an approved solids interceptor tank, the following charges shall apply:

Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the pumping tank and will include a \$150.00 as a separate item in the next regular billing to the customer.

Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observations of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

3. Notification and Disconnection Charges

- A. **Notification fee:** A fee of fifteen dollars (\$15.00) shall be charged to each customer per notice to whom the Utility mails the notice as required by Commission Rule r. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- B. **Disconnection Charges:** In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-532.4, the customer is found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee in the amount of \$500.00 shall be due at the time the customer disconnects service. When an elder valve has been previously installed, a disconnection fee of forty dollars (\$40.00) shall be charged.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 ½%) for each month, or any part of a month, that said payment is late.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its sewer system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the service sewer system.

In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.